

Message Text

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ACTION OPR-02

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FM AMEMBASSY ROME

TO SECSTATE WASHDC IMMEDIATE 1341

C O N F I D E N T I A L ROME 7845

DEPT. FOR A/O, AND WHITE HOUSE: FOR NORMAL EUROPEAN TRIP
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E.O. 11652: GDS

TAGS: OVIP, IT (FORD, GERALD)

SUBJECT: PRESIDENTIAL VISIT - LEONE TALKS - NUCLEAR ENERGY

1. ON FRIDAY, MAY 30, THE AMBASSADOR HAD A 40-MINUTE MEETING WITH PRESIDENT LEONE IN THE QUIRINALE AT THE PRESIDENT'S REQUEST. THE PRESIDENT IS VERY ENTHUSIASTIC ABOUT THE VISIT AND DISCUSSED VARIOUS ASPECTS OF THE VISIT ALL OF WHICH ARE FALLING INTO PLACE NICELY. PRESIDENT LEONE PLACED HEAVY EMPHASIS ON ITALY'S NUCLEAR POWER PROGRAM AND IT APPEARS LIKELY THAT IT WILL BE A MAJOR TOPIC DURING HIS DISCUSSIONS WITH PRESIDENT FORD. LEONE IS HOPEFUL THAT THE PRESIDENT CAN BE AS FORTHCOMING AS POSSIBLE WITH REGARD TO ITALY'S ENERGY NEEDS, THE ECONOMIC AND POLITICAL RAMIFICATIONS OF WHICH ARE CONSIDERABLE IN LEONE'S EYES.

2. TO FOLLOW UP ON THESE DISCUSSIONS AT THE AMBASSADOR'S REQUEST THE DCM MET WITH PROFESSOR ANGELLINI, DIRECTOR OF ENEL, ITALY'S STATE-OWNED POWER MONOPOLY, SUNDAY MORNING. ANGELLINI HAD JUST RETURNED FROM A WEEK OUT OF ITALY AND HE CONFIRMS THE FOLLOWING STATUS OF ITALY'S NUCLEAR REACTOR PROGRAM AND U.S. PARTICIPATION. ENEL HAS SIGNED LETTERS OF INTENT TO PURCHASE FOUR NUCLEAR REACTORS: TWO FROM GENERAL ELECTRIC, AND TWO FROM WESTINGHOUSE: TOTAL COST OF FOUR REACTORS IS IN EXCESS OF \$2 BILLION BASED ON COST OF \$500-700 MILLION PER REACTOR.

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ENEL IS SEEKING EXIM FINANCING TO COVER THE US EXPORT COMPONENT

FOR EACH REACTOR (\$60-90 MILLION EACH).

THE ITALIAN GOVERNMENT THROUGH THE TREASURY MINISTRY AND THE BANK OF ITALY HOPE TO FINANCE APPROXIMATELY \$500 MILLION OF THE TOTAL \$2 BILLION COST. THE FINANCING FOR THE REMAINING \$1.3 BILLION IS NOT YET ARRANGED. ANGELLINI INDICATED THAT GENERAL ELECTRIC IS ATTEMPTING TO FINANCE THESE UNCOVERED AMOUNTS THROUGH A CONSORTIUM OF THEIR BANKERS. WESTINGHOUSE IS TRYING TO INTEREST BRITISH BANKS. GENERAL ELECTRIC SEEMS TO BE MAKING MORE PROGRESS AND HOPEFULLY BY THE END OF YEAR SHOULD HAVE TOTAL FINANCIAL PACKAGE FOR ITS TWO REACTORS.

3. ANGELLINI AND OTHERS CLOSE TO THE PROBLEM RECOGNIZE THAT FINANCING NUCLEAR REACTORS IS A MAJOR MULTI-NATIONAL PROBLEM WHICH CANNOT BE RESOLVED BILATERALLY. (IN ADDITION TO THE FOUR REACTORS DISCUSSED ABOVE, ENEL WISHES TO ADD EIGHT MORE IN THE NEXT FEW YEARS.) WE ARE NOT SURE LEONE FULLY GRASPS THE MAGNITUDE OF THE TOTAL FUND REQUIREMENTS FOR NUCLEAR POWER AMONG ALL THE INDUSTRIAL STATES. OUR POSITION SHOULD BE ONE OF SYMPATHETIC SUPPORT TEMPERED BY THE REALISTIC NEED TO REACH BROADER AGREEMENTS ON THE FINANCING PROBLEM.

4. WE BELIEVE THE PRESIDENT SHOULD EXPRESS OUR UNDERSTANDING OF ITALY'S DESIRE TO LESSEN ITS DEPENDENCE ON PETROLEUM IMPORTS. AS A POSITIVE SIGN OF U.S. ASSISTANCE, THE PRESIDENT CAN MAKE REFERENCE TO EXIM BANK'S SYMPATHETIC CONSIDERATION OF THE LOAN APPLICATIONS REGARDING THE TWO G.E. REACTORS AND G.E.'S EFFORTS TO PUT TOGETHER OUTSIDE FINANCING BEYOND EXIM AND GOI COMMITMENTS. WE THINK THE PRESIDENT MIGHT EXPRESS OUR INTENT TO CONTINUE TO WORK WITH THE GOI TO SEEK A SOLUTION TO THE FUNDING PROBLEM.

5. ANGELLINI ALSO RAISED THE URANIUM SUPPLY PROBLEM AS PART OF THE OVERALL NEEDS WHICH ITALY IS LOOKING TO THE U.S. FOR ASSISTANCE. ALTHOUGH EMBASSY IS AWARE OF THE TECHNICAL AND NON-GOVERNMENTAL ASPECTS OF THE SUPPLY QUESTION, WE DO NOT FEEL QUALIFIED TO PROPOSE HOW THE PRESIDENT SHOULD ADDRESS THIS MATTER SHOULD THE ITALIANS RAISE IT. VOLPE

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